

## IV Accounting for Loans Between Funds

This chapter describes the accounting for loans between State funds when using CALSTARS. The accounting for loans between funds is similar in many respects to operating transfers. The similarities are noted in this chapter, where applicable. Volume 3, Chapter II, Accounting for Operating Transfers, describes transfers between funds.

This chapter does not address Pooled Money Investment Account loans made to bond funds or loans made as part of an agency's program, such as student loans. These loan activities are addressed in Volume 3, Chapter III, Accounting for Bonds and PMIA Loans, and Volume 3, Chapter V, Accounting for Loan Disbursements, respectively.

### TYPES OF LOANS BETWEEN FUNDS

This chapter deals with two types of loans between funds (inter-fund loans):

- Government Code Section 16310 loans, and
- Other short-term and long-term inter-fund loans.

Government Code Section 16310 allows the State Controller's Office to borrow monies from other funds for cash flow purposes. Other loans are made for various purposes and are authorized in various ways. The purpose may be to provide start-up monies to a new fund. The authority for making a loan might be the Government Code, the annual Budget Act or specific legislation.

### GOVERNMENT CODE SECTION 16310 LOANS

Government Code Section 16310 authorizes loans from special funds to the General Fund for cash-flow purposes.

When the General Fund borrows money from a fund per Government Code Section 16310 and the loan amount is outstanding at Year-end, the SCO does not desire a "Due From Other Funds" entry reflected on the agency's statements. Therefore, loan entries should be reversed and a footnote disclosing facts about the loan should be typed on the G02, Year-end General Ledger Report: Pre-closing Trial Balance (Report No. 7).

The following are the accounting events and corresponding CALSTARS Transaction Codes which typically occur when the General Fund borrows cash from another fund per Government Code Section 16310.

These entries most often affect General Ledger Accounts (GLA) only and are not posted to an appropriation. Document Number, Fund, Fund Source and Subsidiary are the required fields. The first four digits of the required Subsidiary number represent the 4-digit fund number of the fund receiving the loan.

Record loan made to another fund:

TC 219 - Record Loan Made to Another Fund

Dr. 1400 Due From Other Funds  
Cr. 1140 Cash in State Treasury

Record repayment of loan made to another fund:

TC 202 - Record Payment on Loan to Another Fund

Dr. 1140 Cash in State Treasury  
Cr. 1400 Due From Other Funds

## OTHER INTER-FUND LOANS

The enabling legislation or code section typically contains the provisions for the loan. These provisions can vary greatly between loans. Some loans are interest free, some do not have a specific duration or due date, and some can be "forgiven" under certain conditions. The need to account for the variety of loan provisions makes uniform treatment difficult. This is an area that the State does not necessarily account in accordance with Generally Accepted Accounting Principles (GAAP).

There are also differences between the inter-fund loan accounting entries described in this procedure and the parallel entries made by the State Controller's Office (SCO). Notes to the accounting entries in this procedure describe the differences. However, the notes may not be applicable to all inter-fund loans because of the unique provisions governing some loans.

## Short-term versus Long-term Loans

A short-term loan has a term of one year or less, and a long-term loan has a term longer than one year. With the exception of not posting short-term loans to GLA 2120- Advances to Other Funds and GLA 5340-Reserve for Advances, the entries for both long-term and short-term loans are the same.

## Establishing CALSTARS Tables for Inter-fund Loans

The following discussion on the various tables relates to establishing transfer-in and transfer-out accounts required for inter-fund loans. There are no special considerations when establishing table entries for revenue or expenditure transactions.

**Appropriation Symbol (AS) Table:**

Inter-fund loans are accounted in CALSTARS similar to Operating Transfers. Each inter-fund loan account maintained by the SCO should have an Appropriation Symbol in CALSTARS to record its activity. When possible, use the same codes as the SCO. Listed below are the suggested coding conventions to use if the SCO codes are blank. See Volume 2, Chapter IV-AS, for complete coding information.

Data Element	Description
Account Type	For the fund <u>making</u> a loan, use the SCO Category Code or <b>00</b> if blank. For the fund <u>receiving</u> a loan, use <b>RR</b> .
Program Coding Levels (Program, Element, etc.)	Leave blank.
Character	Normally <b>1</b> -Support.
Reference	Code the same as SCO's reference, when present. For funds <u>receiving</u> a loan, use <b>980</b> .
Allotment Object Level Indicator	Use <b>0</b> . Inter-fund loan transactions do not post to the Allotment File.

**PCA Table:**

Some of the Transaction Codes used to post loan activities require the use of a PCA number. These activities are reported on the 'Q' reports along with activity for expenditures, reimbursements, revenues, etc. Like Operating Transfers, distinct program codes, fund sources, objects and receipt sources must be used to identify transfer and loan activity.

Data Element	Description
PCA Type	Use <b>1</b> (Direct).
Program	Use Program <b>95</b> if there is no specifically identified program with the loan. Use funding source <b>Z</b> .
Disbursing Fund Segment	Record in the Ultimate Fund. Do not use the Clearing Account. The Disbursing Fund Segment must be the same as the Fund Split Segment.
Allotment-PGM-Level-Ind	Use <b>0</b> (no allotment by program). Transactions to not post to the Allotment File.

**Project Control Table**

If the PCA number used contains a Project Code, the Operating Transfers activities will post to the 'F' reports along with activity for expenditures, reimbursements, revenues, etc.

**Index Code Table:**

Separate Index Codes may be established for recording inter-fund loans. This allows the distribution of the Q10 report, Expenditures By Organization and Object, to organizational managers without displaying inter-fund loan activity.

**Cost Allocation Tables:**

Inter-fund loans are not subject to cost allocation or fund distribution.

**Descriptor Tables:****D15-Program**

Add Program **95** - Transfer Program, if necessary.

**D32-Subsidiary**

Transactions entered for GLA 1400-Due From Other Funds or GLA 3110-Due To Other Funds, require the use of Subsidiary numbers. Refer to Volume 1, Chapter V, for information on establishing the required Subsidiary numbers.

Subsidiary is also required on transactions entered for GLA 9811-Operating Transfers In and GLA 9812-Operating Transfers Out. In accordance with UCM requirements, the fund the transfer is made to or from is identified in the transaction.

**D33-Receipt Source**

Transactions for funds receiving a loan require a source code for Transfers. Transfer Source codes are **3nnnn0**, where *nnnn* is the 4-digit fund code of the fund making the transfer. Transfer Source codes are not automatically established in the D33 Table for all funds. If a Transfer Source code needs to be added to the D33 Table, call the CALSTARS Hotline with the fund number and name.

**D34-Agency Source (Optional)**

If Agency Source is used, it must be defined in this table.

**Monthly Reconciliations**

The SCO may record both loan repayments and loan receipts of principle differently than CALSTARS. For example, SCO may debit GLA 9000-Expenditures to record the loan disbursement and credit GLA 8000-Revenue to record the receipt of the return of funds to the parent fund. CALSTARS considers these events Operating Transfers. The corresponding CALSTARS entries are debit GLA 9812-Operating Transfer-Out in the fund repaying the loan and credit GLA 9811-Operating Transfer-In for receipt of the loan in the parent fund.

When the CALSTARS tables are established in agreement with the SCO accounts, there should be no reconciling items between the SCO Agency Reconciliation Report and the HB4, Appropriation Transaction Summary Report. When comparing the SCO Agency Reconciliation Report to the G01, Trial Balance of General Ledger Accounts, however, the use of the different General Ledger Accounts will be immediately apparent.

### **Accruing Interest and Repayment**

Generally, entries in an agency's accounting records for inter-fund loans are maintained on a cash basis and posted from SCO documents. However, interest or loan repayments that are due within a year should be accrued at Year-end. These accruals should be reported on Report No. 1 - Report of Accruals, unless the SCO has already recorded them to the General Ledger accounts.

### **Footnotes to Year-end Statements**

The Pre-closing Trial Balance of each fund should contain a footnote disclosing facts of the loan that are not formally reflected in the fund's financial reports. For example, a liability for a loan would not appear in the body of the statements of the fund receiving a loan unless repayment is to occur within one year; therefore, footnote disclosure of the loan is necessary to fully disclose the fund's liabilities. The footnote disclosure should include the terms of the loan (e.g., date of issuance, repayment terms and interest rate), current loan balance and interest earned or owed but not recorded. See Volume 7, Year-end Closing, for more information.

### **ACCOUNTING EVENTS FOR LOANS**

Exhibit IV-1 contains the accounting events, corresponding CALSTARS Transaction Codes and T-Accounts for the fund making an inter-fund loan. Exhibit IV-2 contains the accounting events, corresponding CALSTARS Transaction Codes and T-Accounts for the fund receiving an inter-fund loan.

EXHIBIT IV-1  
RECORD AN INTER-FUND LOAN - SHORT- AND LONG-TERM  
IN THE FUND MAKING THE LOAN

<b>Record an original appropriation:</b>		
1	Record an original appropriation: TC 010 - Record an Original Appropriation Dr. 6120 Appropriations-Offset Cr. 6110 Appropriations	TC 010 should also be used to increase or TC 010R to decrease an appropriation.  The SCO Journal Entry will debit GLA 5510 and credit GLA 6030 to establish an appropriation.
<b>Record loan:</b>		
2	Record loan (all): (A) TC 481 - To Record Operating Transfers-Out Dr. 9812 Operating-Transfers-Out Cr. 1140 Cash in State Treasury  <b>- AND FOR LONG-TERM LOANS -</b>  (B) TC 254 - Record Inter-Fund Loan (Non-Current Portion) Dr. 2120 Advances to Other Funds Cr. 5340 Reserve for Advances	Use Object Detail code <b>626</b> . Use Subsidiary number <b>nnnn0000</b> where <i>nnnn</i> identifies the transferee fund to receive the transfer.  The SCO may debit GLA 9022 - Expenditures, instead of GLA 9812 - Operating Transfer Out, when the loan is from a Governmental Cost Fund to a Non-governmental Cost Fund. In addition, SCO debits GLA 1410 - Due From Other Funds and credits GLA 1600 - Provisions for Deferred Receivables for the non-current portion of the loan. However, TC 254 is the correct entry for CALSTARS.
<b>Record loan repayment:</b>		
3	Record loan repayment (all): (A) TC 483 - To Record Operating Transfers-In Dr. 1140 Cash in State Treasury Cr. 9811 Operating Transfers-In  <b>- AND FOR LONG-TERM LOANS -</b>  (B) TC 258 - Record Inter-Fund Loan (Non-Current Portion) Dr. 5340 Reserve for Advance Cr. 2120 Advance to Other Funds	Use Subsidiary number <b>nnnn0000</b> where <i>nnnn</i> identifies the transferor fund making the transfer. SCO may credit GLA 9830 - Loan Repayment (with Source code <b>53nnnn</b> ), when the Loan is between a Non-governmental Cost Fund and a Governmental Cost Fund.  In addition, SCO debits GLA 1600 - Provisions for Deferred Receivable and credits GLA 1410 - Due from Other Funds, for the non-current portion of the loan. However, TC 258 is the correct entry for CALSTARS.

EXHIBIT IV-1 (CONTINUED)  
 RECORD AN INTER-FUND LOAN - SHORT- AND LONG-TERM  
 IN THE FUND MAKING THE LOAN

	<b>Record interest payment:</b>	
4	Record Interest Payment: TC 136 - Record SCO Collection of Revenue (Not Billed) Dr. 1140 Cash in State Treasury Cr. 8000 Revenue/Operating Revenue	For Governmental type funds use Source code <b>150500</b> and for Fiduciary and Proprietary type funds use Source code <b>214000</b> .
	<b>Record accrual of loan repayment and interest when payment is due within one year:</b>	
5	Record accrual of loan repayment due within one year: (A) TC 260 - Record Accrual of Operating-Transfers Dr. 1400 Due From Other Funds or Appropriations Cr. 9811 Operating Transfers-In  Record accrual of interest due within one year: (B) TC 176 - Record Amount Due From Other Funds Dr. 1400 Due From Other Funds or Appropriations Cr. 8000 Revenue/Operating Revenue	Use the same Source codes as Entry #4. Use Subsidiary number <b>nnnn0000</b> where <i>nnnn</i> identifies the transferor fund making the transfer. SCO does not normally issue a Journal Entry to record an accrual for either the loan repayment or interest.

EXHIBIT IV-1 (CONTINUED)  
 RECORD AN INTER-FUND LOAN - SHORT- AND LONG-TERM  
 IN THE FUND MAKING THE LOAN

Accounting Event		Short-Term	Long-Term
1.	Record an Original Appropriation	010	010
2.	Record a loan		
(A)	Record Operating Transfers-Out	481	481
(B)	Record non-current portion		254
3.	Record loan repayment		
(A)	Record Operating Transfers-In	483	483
(B)	Record non-current portion		258
4.	Record interest payment	136	136
5.	Record accrual of loan repayment and interest when due within one year		
(A)	Loan repayment accrual	260	260
(B)	Interest accrual	176	176

  

1140 Cash in State Treasury	1400 Due From Other Funds/Appns	2120 Advances to Other Funds	5340 Reserve for Advances	6110 Appropriations
3A 4	5A 5B	2B <sup>1/</sup>	3B <sup>1/</sup>	1
2A		3B <sup>1/</sup>	2B <sup>1/</sup>	

  

6120 Appropriations -Offset	8000 Revenue	9811 Operating Transfers-In	9812 Operating Transfers-Out
1	4 5B	3A 5A	2A

  

<sup>1/</sup> Long-term loans only.



EXHIBIT IV-2  
RECORD AN INTER-FUND LOAN - SHORT- AND LONG-TERM  
IN THE FUND RECEIVING THE LOAN

	<b>Record receipt of loan funds:</b>	
1	Record the transfer of funds: TC 483 - To Record Operating Transfers-In Dr. 1140 Cash in State Treasury Cr. 9811 Operating Transfers-In	Use Subsidiary number <b>nnnn0000</b> where <i>nnnn</i> identifies the transferor fund making the transfer. SCO may credit GLA 8000 - Revenue, instead of GLA 9811 - Operating Transfer-In, when the loan is from a Non-governmental Cost Fund to a Governmental Cost Fund. In addition, SCO debits GLA 2920 - Amount To Be Provided For Other Long Term Debt and credits 3114 - Due To Other Funds, for the non-current portion of the loan. However, no additional entry in CALSTARS is needed.
	<b>Record loan repayment:</b>	
2	Record repayment of the loan: TC 481 - To Record Operating Transfers-Out Dr. 9812 Operating-Transfers-Out Cr. 1140 Cash in State Treasury	Use Object Detail code <b>603</b> . Use Subsidiary number <b>nnnn0000</b> where <i>nnnn</i> identifies the transferee fund to receive the transfer. SCO may debit GLA 9010 - Operating Expenditures, when the loan is between a Governmental Cost Fund and a Non-governmental Cost Fund. In addition, SCO debits GLA 3114 - Due to Other Funds and credits GLA 2920 - Amount To Be Provided for Long-Term Debt, for the non-current portion. However, no additional entry in CALSTARS is needed.
	<b>Record interest payments:</b>	
3	Record interest payments: TC 242 - Record Direct SCO Pay of Exp Not Prev Enc or Accrued Dr. 9000 Expenditures Cr. 1140 Cash in State Treasury	Use Object Detail code <b>602</b> .
	<b>Record accrual of loan repayment and interest when payment is due within one year:</b> (SCO will not normally issue a Journal Entry to record an accrual for either the loan repayment or interest.)	
4	Record accrual of loan repayment due within one year: (A) TC 579 - Record Accrual of Operating Transfers-Out/Due to Other Funds Dr. 9812 Operating Transfers-Out Cr. 3110 Due to Other Funds or Appropriations  Record accrual of interest due within one year: (B) TC 285 - Record Amount Due To Other Funds Dr. 9000 Expenditures Cr. 3110 Due to Other Funds or Appropriations	Use Object Detail code <b>603</b> . Use Subsidiary number <b>nnnn0000</b> where <i>nnnn</i> identifies the transferee fund to receive the transfer.  Use Object Detail code <b>602</b> .

EXHIBIT IV-2 (CONTINUED)  
 RECORD AN INTER-FUND LOAN - SHORT- AND LONG-TERM  
 IN THE FUND RECEIVING THE LOAN

Accounting Event		Short-Term/ Long-Term
1.	Record the receipt of funds	483
2.	Record repayment of loan	481
3.	Record interest payment	242
4.	Record accrual of loan repayment and interest when due within one year	
(A)	Loan repayment accrual	579
(B)	Interest accrual	285

1140 Cash in State Treasury		3110 Due To Other Funds/Appns		9000 Appropriation Expenditures		9811 Operating Transfers-In		9812 Operating Transfers-Out	
1							1		
	2								2
	3			3					4A
			4A						
			4B	4B					